

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

(ISO) W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 9336

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: ENRG UK

SUBJECT: NORTH SEA OIL: AMERICAN COMPANIES ARE FIRST
TO SIGN PARTICIPATION AGREEMENTS

REF: LONDON 1399

1. GULF AND AONOCO HAVE SIGNED PARTICIPATION AGREE-
MENTS WITH HMG/BNOC AND A PARLIAMENTARY ANNOUNCEMENT
WILL BE MADE THIS AFTERNOON, FEBRUARY 26. DEPT OF
ENERGY DEPUTY SECRETARY JOHN LIVERMAN HAS GIVEN EMBASSY
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ADVANCE NOTICE AND COPY OF PARLIAMENTARY ANNOUNCEMENT.

2. TEXT OF AGREEMENT WILL NOT BE MADE PUBLIC, BUT IT APPEARS ON THE BASIS OF PARLIAMENTARY ANNOUNCEMENT AND LIVERMAN'S COMMENTS THAT AGREEMENT CONTAINS NO SURPRISES AND IS ESSENTIALLY ALONG LINES OF REFTEL AND EARLIER EMBASSY REPORTING. COMPANIES WILL RAISE THEIR OWN FINANCING WITHOUT HMG INVOLVEMENT; BNOC WILL HAVE A SUBSTANTIAL VOICE IN MANAGEMENT; AND, THE COMPANIES WILL RETAIN ALL RIGHTS TO CRUDE FOR THREE YEARS AFTER START OF COMMERCIAL PRODUCTION, AFTER WHICH 51 PERCENT CONTROL PASSES TO BNOC. TRICENTROL PARTICIPATION AGREEMENT NOTED REFTEL HAS NOT YET BEEN SIGNED, BUT LIVERMAN EXPECTS IT WILL BE IN THE NEAR FUTURE.

3. LIVERMAN ASKS THAT HIS AND TONY BENN'S APOLOGIES BE EXTENDED TO COMMERCE SECRETARY RICHARDSON AND CHARLES ROBINSON FOR NOT BEING ABLE TO SPECIFICALLY MENTION THIS AGREEMENT DURING THEIR CONVERSATIONS IN WASHINGTON LAST WEEK, BUT IT WAS NOT CERTAIN AT THAT POINT HOW IMMINENT THE AGREEMENT WAS.

4. FOLLOWING IS DRAFT PARLIAMENTARY STATEMENT. BEGIN TEXT:

GULF-CONOCO PARTICIPATION

THE GOVERNMENT AND THE BRITISH NATIONAL OIL CORPORATION HAVE TODAY CONCLUDED AGREEMENTS WITH CONTINENTAL OIL COMPANY AND GULF OIL CORPORATION WHICH SECURE MAJORITY STATE PARTICIPATION IN THOSE COMPANIES' INTERESTS IN OIL FIELDS IN THE UK CONTINENTAL SHELF. THESE ARE THE FIRST PARTICIPATION AGREEMENTS TO BE SIGNED. THE TERMS OF THE AGREEMENTS SECURE FOR BNOC AND THE NATION THE PARTICIPATION OBJECTIVES SET OUT IN THE JULY 1974 WHITE PAPER (CMND 5696) AS ELABORATED BY THE GOVERNMENT FROM TIME TO TIME. THEY LEAVE THE COMPANIES FINANCIALLY NEITHER BETTER NOR WORSE OFF. THE NEGOTIATIONS HAVE BEEN CONDUCTED THROUGHOUT ON A VOLUNTARY BASIS AND I SHOULD LIKE TO EXPRESS MY APPRECIATION OF THE CONSTRUCTIVE SPIRIT IN WHICH THE COMPANIES HAVE SOUGHT TO ACCOMMODATE THE GOVERNMENT'S OBJECTIVES.

CONOCO'S AND GULF'S INTERESTS IN THE UK CONTINENTAL LIMITED OFFICIAL USE

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AMEMBASSY DUBLIN

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SHELF INCLUDE A STAKE IN THE COMMERCIAL FIELDS THISTLE,
DUNLIN AND THE UK PART OF STATFLORD. IN THESE COMMER-
CIAL FIELDS, AS IN THEIR OTHER NORTH SEA OIL INTERESTS,
EACH COMPANY HAS AN EQUAL STAKE WITH THE OTHER AND WITH
NATIONAL COAL BOARD (EXPLORATION) LIMITED (NOW A SUBSIDI-
ARY OF BNOC). THESE EXISTING ARRANGEMENTS GIVE BNOC FULL
ACCESS TO INFORMATION AND AN EFFECTIVE VOICE IN CONTROL.
THE NEW AGREEMENTS WITH THE COMPANIES BUILD ON THIS POSI-
TION. BNOC'S TITLE IN THE LICENCES IS RAISED TO 51 PER-
CENT.

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CENT BY ASSIGNMENT OF THE APPROPRIATE PROPORTION OF EACH COMPANY'S INTERESTS, BUT SUBJECT TO THE RETENTION BY THE COMPANIES OF THEIR EXISTING OBLIGATIONS AND BENEFICIAL INTERESTS. FMR EXAMPLE, BNOC WILL NOT PROVIDE ANY ADDITIONAL CONTRIBUTION TO COSTS BEYOND THAT ARISING FROM THEIR EXISTING ONE THIRD INTEREST THROUGH NATIONAL COAL BOARD (EXPLORATION): THE COMPANIES WILL CONTINUE TO BE RESPONSIBLE FOR CAPITAL AND OPERATING COSTS ARISING FROM THE ASSIGNED INTEREST AND FOR THE PROVISION OF ROYALTY. SIMILARLY, EACH COMPANY WILL RETAIN THE BENEFICIAL INTEREST IN ONE THIRD OF THE OIL PRODUCED; BUT THE CORPORATION OBTAINS RIGHTS TO EXTRA OIL UNDER AN OPTION AGREEMENT EXTENDING THROUGHOUT THE LIFE OF THE FIELDS. THIS WILL PERMIT THE CORPORATION TO BUILD UP A RIGHT TO PURCHASE OIL FROM THE COMPANIES AT MARKET PRICE, TO SUPPLEMENT EXISTING RIGHTS TO OIL UNDER THE LICENCES. IT WILL ENSURE CONTROL FOR THE NATION OVER 51 PERCENT OF THE OIL PRODUCED BY THE GROUP FROM EACH FIELD THREE YEARS AFTER THE YEAR IN WHICH COMMERCIAL PRODUCTION BEGINS, RISING TO 57 PERCENT AFTER FIVE YEARS. THESE ARRANGEMENTS ARE NOT A BLUEPRINT FOR FUTURE AGREEMENTS--THERE IS NO SINGLE STANDARD PARTICIPATION MODEL, BECAUSE CIRCUMSTANCES VARY FROM CASE TO CASE. HOWEVER, THE FACT THAT TWO MAJOR AMERICAN OIL COMPANIES HAVE FREELY ENTERED INTO PARTICIPATION ARRANGEMENTS WILL, I AM SURE, ENCOURAGE OTHERS TO WORK WITH US TO REALIZE OUR OBJECTIVES THROUGHOUT THE NORTH SEA.

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